

Editorial



View

Train clashes

FRUSTRATED commuters have decided to take matters into their own hands and attack train drivers, resulting in a tense situation in Alawwa on Tuesday. As many as 15 trains were reported to have been delayed after the Mahawa-Colombo office train was delayed.

Delayed trains, faulty equipment and uncaring officials have become part of a negative spiral. Attacks on train drivers come after two trains collided with each other earlier this month. The situation is likely to worsen with driver unions threatening to go on strike or start a work-to-rule campaign, pointing out that top officials have absolved blame to those lower on the power ladder. A claim that has a familiar ring of truth to it.

In early 2010, the Government launched a 10-year Railway Development Strategy to bring the Railway back to satisfactory condition. It started by ordering new Diesel-Multiple Units (DMUs) to replace the current trains. In 2010-2012, the Railway upgraded the track on the southern line, which was damaged in the 2004 tsunami. The track was upgraded to handle trains at 100 km/h, allowing for shorter journey times. It is also currently rebuilding the northern line and is also extending the southern line from Matara to Kataragama, with the intention of ending up in Hambantota.

Yet many of the key problems have remained, dominated by Victorian-era infrastructure and ageing equipment. A substantial amount of expenditure goes to rehabilitating poorly-maintained assets, as opposed to regular maintenance. In addition, the Railway Department is chronically in debt. In fact according to some records the Department last made a profit in 1943 and continues to chug billions into the red every year.

Politicisation of the service also means little or no training, few incentives and low productivity. Corruption has also become endemic in the railways, much like everywhere else, with many complaints being made of substandard or unsuitable equipment being imported for fat commissions.

Trade unions weighing in on the latest accidents have outlined three points and reason the entire Railway Department is to blame for the latest collision. They charge the train, which was recently imported from India, had faulty brakes. In fact all 20 of the S11 engines had faulty brakes and this fact was told to Railway authorities who, according to unions, chose to ignore it. They have pointed out that a S11 was involved in a previous accident in Alawwa as well. The second point is the non-appointment of deputy drivers who could assist in safety checks. The third cause is the ancient track itself that, officials insist, was not maintained properly.

Most other countries deal with safety issues by appointing a Safety Commission, which is given powers to monitor, evaluate and maintain railway safety. If used effectively, this can protect commuters while not becoming yet another burdensome layer of bureaucracy, but Sri Lanka's track record does not inspire confidence.

About 1,500 people joined in the protest at Alawwa, showing long-pent-up grudges against the Railway Department. While it is true that officials at the bottom of the hierarchy should not be held responsible, the inefficiency at the top will likely still be vented on them. Moreover, services such as railway maintained on public taxes trigger anger when the public they are meant to serve are treated shabbily.

Long-ignored, the Railway Department is now at a crisis point, but thousands of commuters still expect services that the Government is bound to provide.



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Economic Intelligence: Necessary tool in crafting a national export strategy

Role of the trade officers overseas

Economic intelligence has been defined by the US Council on Foreign Relations as “virtually any aspect of another country's economic policy and practices” or in CIA's definition “intelligence regarding foreign economic resources, activities, and policies including the production, distribution, and consumption of goods and services, labour, finance, taxation, commerce, trade and other aspects of the international economic system”.

It is therefore vital that the Government of Sri Lanka should play a greater role in defending our export-oriented companies by providing the necessary backing so that any convulsions in foreign markets and appearances of new competitors or the change of technology would not adversely affect our exporters.

Government intervention in defence of local industry

The foreign governments with economic and military powers have gone to the extent of mobilising state intelligence agencies to gather economic data in support of domestic industries. It has been reported in the foreign media that state intelligence agencies in the US, UK and France have clandestinely obtained trade secrets and passed them over to companies so that they could stay competitive. In 1993 the CIA had obtained clandestine information that France had bribed Brazil to award a \$ 1.4 billion air traffic radar contract to a French company.

The US Government brought this information to the notice of the Government of Brazil and US competitor to the French company. Raytheon, a leading manufacturer of air traffic control radars, was ultimately able to secure this contract due to Government intervention.

Export industries are subject to stiff competition and it is an uphill task for export managers to keep abreast of the rapidly changing world markets. Access to right information at the right time often enables the export managers to make strategic decisions. Failure to adjust according to rapidly changing trade patterns would be fatal, resulting in his bid for a particular overseas contract being rejected.

Networking and research

How could Government keep tabs on economic developments abroad? The Government has posted economic and trade officers to our diplomatic missions abroad and the main task of these officers is to keep an ear to the ground and update Sri Lankan exports on the developments abroad and to provide an assessment of possible opportunities and risk factors.

This information must be sent across to export chambers,



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bers, chambers of commerce and key exporters. In order to assess a huge market as big as the US, the diplomatic mission in Washington DC must be adequately staffed. Trade officers are duty bound to (1) seek out and create opportunities for Sri Lankan exportable goods and services and to ensure that concerned parties in Sri Lanka are informed of the opportunities identified (2) assist Sri Lankan exporters to exploit fully these opportunities through provision of advice and support initiatives and (3) to contribute through systematic reporting programme to the evolution of Sri Lanka's trade policy and export strategy.

It is imperative for trade officers to engage in extensive networking with all stakeholders in the export and import communities of the host country. Networking is a necessary tool in acquiring economic intelligence as such trader officers are supposed to maintain extensive networks of business contacts and this can be had through personal interaction with businessmen, media institutions, and chambers of commerce.

Trade 'leads' whether official or unofficial could be obtained through networking. An unofficial trade lead could help local exporter to be better prepared when the official lead is made known. The other component in economic intelligence is the initiate market research studies for specific products or services. These research reports would enable local exporters to identify the market and perhaps help further develop the product on par with other competitors.

Tender notices are of value to the local contractors who would like to bid for overseas projects. A local contractor may perhaps require information on other bidders and it is the responsibility of the trade officer to acquire such information, through his network of contacts. The local contractor would then be able to adjust his pricing strategy.

Market research studies are also required to obtain business leads. The social statistics of foreign countries cannot easily be accessed

FT Quote

“We have many State institutions engaged in work that could have direct bearing on an export strategy. It is high time a coordinating mechanism was put in place so that all stakeholders in the export market could discuss the export strategy jointly avoiding any overlaps. The mandate of some of the State institutions can be modified to incorporate a provision ‘to assist exporters’ and ‘to undertake research’ in support of export strategy”

by export managers. Such research must be based on social demographics. Sri Lanka's overseas missions can retain or outsource market research firms to obtain social statistics. What does this mean for an exporter?

■ **Ageing population:** the opportunities for selling products that offer comfort, that have an ergonomic design and that can be used during leisure time will increase. The same is true of products designed to meet the demands of the elderly. The ageing population will continue to enjoy an active lifestyle and it is wealthier than the previous generations. Subsequently, it represents an interesting segment.

■ **Immigrants:** this segment of the population can serve as a gateway for introducing new flavours, tastes and styles from different parts of the world. They are already familiar with what is new to Europeans and they can thus act as ambassadors. Moreover, as Europeans are confronted with new and different cultures, their interest and willingness to try out new things will increase.

■ **Rising number of small households:** the demand for one-person packages is on the rise and what is generally required for setting up a household.

■ **Working women:** as women become more financially independent, they spend their money on products that appeal to them (fashion, home design). A side effect of this is that time tends to become scarcer, which in turn gives rise to an increasing demand for convenience products. (Source: Export Manual – Centre for the Promotion of Imports from Developing Countries)

EDB, SLECIC and IDB

We have two State institutions created to enhance our export potential and one on promoting industries. This is in addition to Department of Commerce which too does a significant role in export promotions.

The main task of the Export Development Board (EDB) is to advise the government on export policies to create a conducive environment for exports, monitor the performance of the export sector and also to act as a promoter, facilitator and knowledge provider.

The Sri Lanka Export Credit Insurance Corporation (SLECIC) provides mainly export risk insurance. This writer, at a public seminar, urged the Governor of the Central Bank of Sri Lanka to convert SLECIC into an export import bank with a broader mandate. The time is opportune for creating a National Committee for the formulation of an export strategy so that full potential of all State institutions could be mobilised.

We have many State institutions viz Laksala, NARA, Gem Corporation, Industrial Development Board (IDB) and other State institutions engaged in work that could have direct bearing on an export strategy. It is high time a coordinating mechanism was put in place so that all stakeholders in the export market could discuss the export strategy jointly avoiding any overlaps. The mandate of some of the State institutions can be modified to incorporate a provision ‘to assist exporters’ and ‘to undertake research’ in support of export strategy.

Risks in export markets

Export markets are subject to high volatility due to various risk factors. Medium and small scale exporters are the worst hit when economic downturn hits the global markets. The main risk factors are economic risk, legal risk, sales risk, political risk and competition risk. Trade officers overseas are also required to provide timely risk factors so that an export manager could mitigate these unforeseen costs and eventualities.

(This writer is a freelance journalist and a political lobbying and public affairs consultant. He is a registered member of the American Association of Political Consultants.)



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